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The wisdom of silence

[Opinion \(/opinion\)](#) > [Editorial \(/opinion/editorial\)](#)



Less than two months after starting her new role, Reserve Bank governor Anna Breman has already found herself at the centre of controversy.

Dr Breman's decision to add her name to a joint statement issued by several international central bankers expressing "full solidarity" with her United States colleague Jerome Powell was understandable but ill-advised.

She has earned herself an immediate, and public, ticking off from Foreign Minister Winston Peters for her actions. Further, less high-profile admonition will no doubt come later.

It is long-established that New Zealand's central bank, like all properly run central banks worldwide, is an organisation independent of and separate to central government.

But independence does not mean that the bank is free from involvement in politics. Its freely arrived at decisions on matters such as interest rate settings are made on an economic basis, but with the full knowledge that they have a political as well as a fiscal implication.

This, US Federal Reserve chairman Jerome Powell knows only too well. Earlier this week the US government opened a criminal investigation into cost overruns in a project to renovate two historical buildings at the Reserve's headquarters, and served a subpoena on its chairman.

While there may, or may not, be something of substance to be investigated in those contracts, most observers — and at least 13 international central bankers — concluded that it was in reality a direct attack on Mr Powell.

US President Donald Trump is no fan of the Fed chairman, having publicly stated many times that the otherwise widely respected public servant — who was nominated to his current role during the first Trump administration — would be fired soon after he took office for the second time.

That has yet to happen, but Mr Powell has been under constant pressure since then, the subpoena being the latest example thereof. His main sin, in President Trump's eyes, is to not have dropped interest rates as far and as fast as the President would like.



Anna Breman. PHOTO: ODT FILES

However in the US, like in New Zealand, the head central banker is under no obligation to do what may be expedient for the government's immediate political objectives. Domestic economic stability is the paramount concern and for Mr Powell, in charge of the world's most important central bank, also comes consideration of US decisions on international markets.

As a former First Deputy Governor of the Sveriges Riksbank, the central bank of Sweden and one of the oldest in the world, Dr Breman would likely have strong and fixed views on the importance of independent central banking.

We would agree, and would also concur with her view that the strain being placed on Mr Powell is intolerable and unacceptable.

However, we would also agree with Mr Peters that it's one thing to have those views and another to express them.

Mr Peters, correctly, said that the Reserve Bank had no role in US politics and should not involve itself in them. Its job is managing domestic monetary policy, not dragging New Zealand into someone else's fight.

While Dr Breman may feel it was a strictly personal decision to attach her name to the open letter, doing so would be assumed by some to come with the tacit understanding of the government.

Given the government's attempts to avoid provoking the Trump administration, no such sly wink would have been given. Mr Peters' advice to Dr Breman to "stay in her lane" was rapid, her decision not to comment further wise.

Razor cut

While rugby may not be as central to the Kiwi psyche as it once was, big news concerning the game will still get most people talking.

News yesterday that All Blacks coach Scott Robertson was leaving the role after just two years

in charge of the national team was something of a bombshell.

Despite NZ Rugby’s press release claiming that both it and Robertson agreed it was in the best interests of the team that he departed his role as head coach, the reality is much more likely to be that the coach was pushed along his way — either by an organisation dismayed at his win-loss record, or by his players.

The next All Blacks coach — most likely Highlanders coach Jamie Joseph — has to regain the confidence of NZ Rugby, the players, and most importantly the public.

With a challenging two years ahead before the next World Cup, that will not be an easy task.

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